

Service Date: October 11, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the Application)UTILITY DIVISION
of the TOWN OF WEST YELLOWSTONE)DOCKET NO. 84.9.48
to establish Rates and Charges)INTERIM RATE ORDER NO. 5090
for Sewer Service.)

FINDINGS OF FACT

1. On September 4, 1984, the Town of West Yellowstone (Town or Applicant) filed an application with this Commission for authority to establish sewer rates and charges for its West Yellowstone, Montana service area. The Applicant requested that the Commission approve permanent rates that would generate approximately \$37,500 in annual revenues.
2. On September 28, 1984, the Town filed a petition requesting the Commission to approve interim rates that would generate approximately \$37,500 in annual revenues representing interim approval of its proposed permanent rate schedule.
3. On May 17, 1984, the Town of West Yellowstone acquired the sewer facilities contained in Rural Improvement District Number 304 from Gallatin County, which was the entity providing sewer service to consumers in the West Yellowstone, Montana area. With the acquisition of the sewer facilities, it became the responsibility of the Town to provide sewer service to consumers in the West Yellowstone area and necessitates the filing of rates with this Commission for provision of that service.

4. The Town has filed a rate proposal with this Commission, for provision of sewer service, that it alleges will cover current operation and maintenance expense and necessary capital expenditures during the next fiscal year.

5. The Town has projected that the annual operation and maintenance expenses of the utility will be \$33,500 for fiscal year 1985; these expenses include salaries, supplies, utility services, maintenance expense, administrative and professional services. Certain expenses contained in the Applicant's rate proposal are based upon actual historical information which was available to the Town through its role as operating agent of the sewer utility for the County. Other expense items contained in the filing are projections because the Town has no previous experience upon which to base the level of expense that will occur for such items as; Billing and Collecting, Administrative, Temporary Employees and Professional services.

Because the Town has a mix of actual and projected operation and maintenance expenses in the filing, it is necessary for the Commission to draw upon its past experience with utilities of a similar size in determining the reasonableness of the Applicant's proposed operation and maintenance expenses. The Commission concludes the operation and maintenance expenses, as presented by the Applicant, are within a zone of reasonableness when compared to utilities of a similar size and, therefore, accepts them for purposes of this Interim Order.

6. The Applicant at page 6-5 of its filing outlined a three year capital improvement program with a total cost of \$18,000. Amortization of these program costs over a three year period would require annual funding in the amount of

\$6,000. The Town has requested that the Commission allow funding at the level of \$4,000 annually to make the improvements outlined on page 6-5. The Commission finds the Town's request for funding of a capital improvement program, to adequately maintain its existing facilities, to be good management policy and, therefore, accepts funding at the level of \$4,000 annually for interim rate purposes.

7. For the purpose of setting initial rates the Commission finds the following revenue requirement to be reasonable for the purpose of this Interim Order:

Operation and Maintenance Expense	\$33,500
Capital Expenditures	<u>4,000</u>
TOTAL REVENUE REQUIREMENT	\$37,500

8. At the present time the sewer utility has in place a user charge system that was approved by the Environmental Protection Agency in conjunction with its construction grant program. The Town is requesting that this rate structure be maintained because it will probably be requesting additional funds from this agency in the near future and the EPA will require that the Town have an equitable user charge system, similar to the one already approved by that agency, before it will grant additional funds.

The Commission, in an effort to avoid jeopardizing the Town's receipt of additional funds from the EPA, finds that continuation of the rate structure presently in effect is reasonable for interim rate purposes.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises

jurisdiction over the Town of West Yellowstone Sewer Department and the subject matter in this proceeding. Sections 69-3-101, 69-3-102, and 69-7-102, MCA.

2. The Commission concludes that the grant of an interim rate in the manner set forth herein is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Town of West Yellowstone is hereby authorized to implement on an interim basis the rates as set forth on Exhibit B of its application as amended September 18, 1984.
2. The interim relief granted in this Order is to be effective for services rendered on and after October 9, 1984.
3. The relief granted herein is subject to rebate should the final order in this Docket determine that a lesser revenue amount is warranted.

DONE IN OPEN SESSION this 9th day of October, 1984 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary
(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.